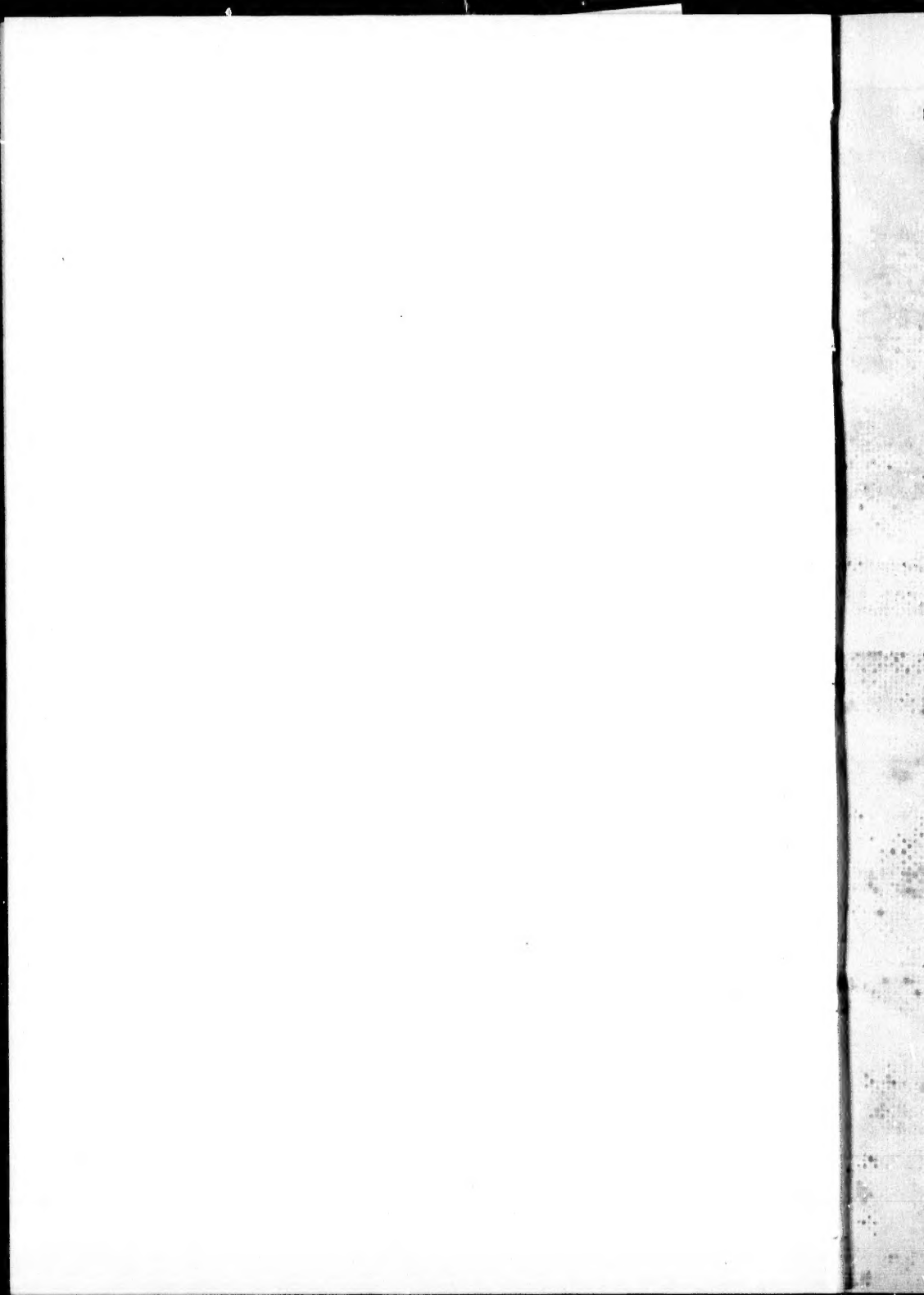






BENSALEM;

OR,

THE NEW ECONOMY.

A DIALOGUE FOR THE INDUSTRIAL CLASSES
ON THE FINANCIAL QUESTION.

BY

THOMAS GALBRAITH,

PORT HOPE, ONT.

"Security to property is the grandest achievement of legislative wisdom."—BENTHAM.

"I send no agent or medium ; I offer no representative of value; but I offer the value itself."—
WHITMAN.

NEW YORK:

THOMAS GALBRAITH, JR., PUBLISHED AND PRINTER,

32 BEEKMAN STREET,

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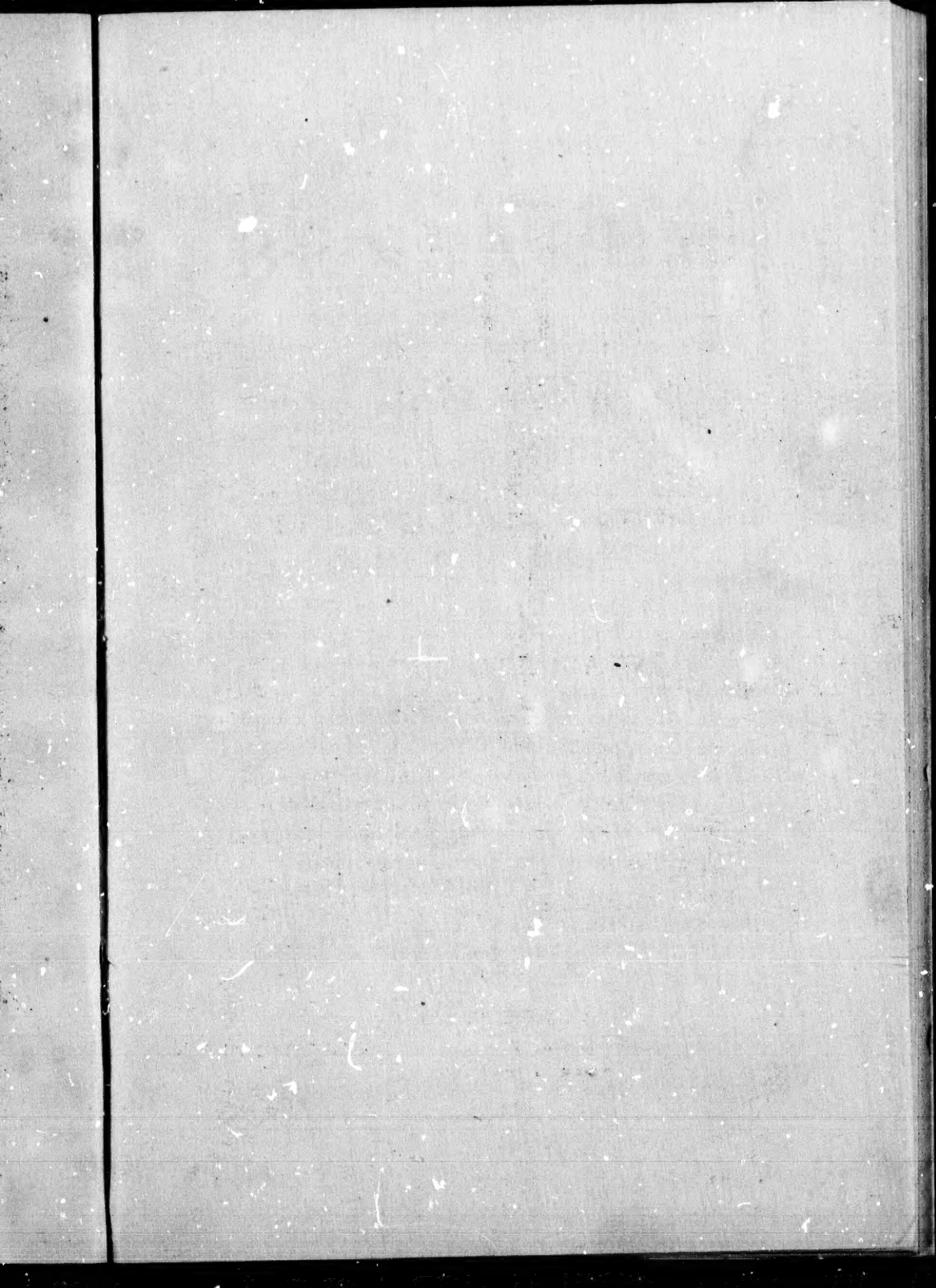
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PREFACE.

I HAVE undertaken to examine in the following pages grave and important public questions directly affecting widespread interests; and as the views advanced are opposed to very generally accepted opinions, an apology might be thought due for the attitude I have assumed. In reply, I have to say the discussion of such questions usually involves a penalty in proportion to the truth elicited; and as to the truth of my conclusions, if the arguments are unsound, they are the more easily refuted. But if the sensitiveness of those interests remarked upon arise from their intrusive character as partaking of privileges to an irresponsible degree—throwing them out of line with the leading characteristics of the age—then may not an apology be due to the public from a different quarter?

Providence has thrown into the hands of emigrants from Europe and their descendants, the glorious legacy of America, with an unparalleled future; but the legatees, apparently unconscious of the priceless gift, have, in a great measure, failed to turn it to account.

It is said that men, as a rule, think and act as they have been accustomed; and this instance proves no exception. They have imported their defects along with their excellencies, to the degree of neutralizing, in a great measure, the advantages of their new

home; carrying the weakness to the extreme of even labelling the towns and cities of this country with the names of loved spots in their native land, without any special fitness. And from the same source come also those crude notions of economy and finance, which have succeeded pretty well already to cripple our industry; and merge the workingman and his interests into similar vortices, which have so long embarrassed the legislation of European States. The situation is grave enough when the earnings of four millions of people must annually go to swell the pockets of foreign money lenders.

There can be no just reason why our financial policy should not be upon a scale adequate to the magnificent natural resources of this Western World; and, it is to be hoped the day is not distant when, if a finance minister, in his place, should quote old world precedents to justify his policy, it will be accepted as an admission of incompetency.

PORT HOPE, *February*, 1874.

B E N S A L E M ;

OR,

THE NEW ECONOMY.

THE POLITICAL ECONOMY OF THE PERIOD.—THE
CONTRAST BETWEEN RICH AND POOR.

*Enters the office of the writer, Altabin, a visitor, from the Island
of Bensalem.*

Writer.—It is with pleasure I meet a citizen of that famed country.* During the last two centuries the world has heard of the high attainments of your people in the arts, sciences, and philosophy. But so far as I am aware, very imperfect notions are yet held in regard to your civilization; and more especially of your associated, or what is termed political, economy. I need not repeat, therefore, how much I am pleased at the prospect of having my curiosity and interest gratified by one so well qualified to answer my inquiries.

* See Bacon's *New Atlantis*.

Visitor.—I shall be glad to afford every information in my power with respect to our condition as a people. Our readiness to communicate is, I trust, equal to our anxiety to obtain knowledge ; and it is no secret that our government has agents in every part of the world who are engaged in collecting information, and whose duty it is to report accordingly of the doings of other nations. Bensalem, as you are aware, is a distant island of some 5,600 miles in circumference, possessing a soil and climate equal, but not superior, to other parts of the world. But it is not with reference to its geography, topography, soil, climate, natural features or resources, that shall occupy our attention at present, as our Island is not endowed by nature above the ordinary ; but, if you please, let our conversation turn upon the factitious condition of the country, in contrast with the outside world ; or on what might be termed a comparison between our civilization and yours.

W.—That meets my wishes fully. I should feel deeply interested in tracing the successive steps by which Bensalem has been elevated to its present state of prosperity and felicity, since its natural advantages, if I understand you, are not peculiar, nor its inhabitants more highly endowed than other nations. I am of opinion that the condition of man is very much his own making ; and, therefore, every just comparison will serve to place in clear light the relative merits of your economy and ours.

V.—What strikes a citizen from my country so forcibly on his arrival, is the extraordinary spectacle of so much wealth and luxury existing alongside of

so much wretchedness and poverty, not only in Europe, but also in what is termed highly favored America. The contrast between Bensalem and other parts, in this particular, is well worthy of note. True, you have fast traveling by steam, and instant communication by telegraph; you possess, also, to a high degree of improvement, every species of machinery, effecting a multiplicity of purposes. Your mechanical progress is indeed admirable and complete. But when one turns to the social condition of the people, the hideous contrasts between the rich and the poor, arising out of the uneven distribution of wealth, also the many evils resulting therefrom; vast wealth giving its possessor almost unlimited power over the happiness and destiny of less fortunate persons; it is, I confess, appalling enough to a stranger from my country. In fact, existence everywhere with you appears to be hardly endurable by a person of intelligence and right feeling, when he perceives such wilful wickedness and deliberate selfishness eager to desire and devour all that comes within its reach, utterly regardless of the suffering, the pain, the misery by which its enjoyments are procured. Turning to the columns of the London *Spectator*, on reviewing the income tax returns, it expresses surprise, as well it may, at the small number of the really comfortable in that land of millionaires and princes—it being under one and a half per cent. of the population: “Those persons paying £120 rent, and out of the class of the anxious, and intending to give their children an education, and can contemplate a holiday without any

sickening feeling of despair, are less than sixty thousand families. The taxation of Great Britain, such as it seems, falls upon a population, seven in eight of whom live in houses of less than £20 a year rental; that is, are not in the ordinary sense comfortable at all, but struggling to make ends meet, always compelled to think of money. It is only to one in eight of the population that a sovereign is not a very serious sum; only to one in a thousand that a five pound note is not an important amount of money. One is forced to acknowledge that while men with a quarter of a million die at the rate of sixteen a year, and while every year sees a new millionaire enter society, the number of the really comfortable in Great Britain cannot possibly exceed seventy thousand, while it may be very little more than half of that number of families.

“Ten persons have expired within the decade leaving more than a million, and one hundred and sixty-one leaving more than a quarter of a million sterling. Contrast with this the weekly returns of pauperism in London: giving a total of 105,219 paupers, of whom 34,322 were in workhouses and 70,987 received out-door relief. The number of vagrants relieved on the last day of the week was 792, of whom 535 were men, 198 women, and 59 children. Then, it is said, no man in England can become wealthy without part of his wealth going to the owners of the soil, and especially to three individuals, viz.: the Marquis of Westminster, the Duke of Portland, and Lord Portman. A corner of St. Paul's Churchyard, London, sold three years ago,

at the nice little sum of £1,100 sterling per square foot. In view of these facts, what must be the condition of the struggling masses? The labor agitation brings out that the agricultural wages in many parts of the country were from 8s. to 9s. a week, all perquisites included, and in many districts the men had to give fifty-six weeks' labor to the year; in many cases they never knew when their work was done. One speaker did not know whether these men were most to be commiserated on account of their miserable wages or the more miserable houses they occupied. He had known thirteen members of a family sleeping in one room—a place unfit for pigs. A Squire, at a meeting of English laborers, pointed with honest pride to one who had brought up a family of twelve children on 12s. a week. Lord Malmsbury, says a writer, was astonished at the disturbance; he always thought the relations between the lord and the pauper peasant the happiest possible. It is the lazy opinion of the wealthy, says another, that the refined affection and the high civilization of the few should be supported in their privileged existence by the unremitting and joyless toil of the many. Well do I remember one of those palaces—the most conspicuous object for miles around—its lord, I dare say, consuming the income of some six hundred of the poor families around him. The grievances of the laborer are briefly stated, thus: Wages are insufficient to provide suitable food; that they have no means of educating their families; that their houses are totally unfit for habitation; that they have no hope for old age but the workhouse."

The *Pall Mall Gazette* indulges in the following vein of ex-usable sarcasm: "Three cases heard before the county justices of Newbury, a few days ago, illustrate the sad want of self-dependence among some of the lower orders. Henry Ballard, described as a half starved spiritless looking man, was charged with trespassing, in search of rabbits, on certain land at Chieveley. Ballard was weak enough to burst into tears, and ask the magistrate to be merciful to him, on the absurd ground that he had but eleven shillings a week to support thirteen children, besides himself and wife. His wife, he said, was consumptive, and as she very much wished for a rabbit, he tried to catch one. The miscreant was fined six shillings, and allowed a fortnight for payment. Perhaps his consumptive wife, when she sees her husband and children obliged to stint themselves in their dinners, will learn that sickly persons have no right to long for luxuries. In the meantime, it is a satisfaction to feel that the miserly Ballard will have to shell out some of his superfluous wealth. The next case, almost grotesque in its character: Elizabeth Volkins, who was suckling an infant, was sent to Reading gaol for fourteen days, for stealing several pieces of brass fittings which had belonged to a threshing machine, out of a barn at Wilford, where her husband had worked for twenty years. This righteous sentence gave rise to a most unmanly complaint from Mr. Volkins. 'If the magistrate,' he said, 'sent his wife away, his six children must starve alone, for his work was two miles from his cottage. His wages were only eleven shillings,

which,' he added, ridiculously enough, 'is not much to keep eight persons.' It would be interesting to watch the little Volkins during the fortnight they are thrown on their own resources, and it is to be hoped that a few tracts will be transmitted to them, pointing out the duty of resignation. In the third case, a young married laborer named George Major, was charged with having left his employer's service without lawful cause. The defendant was hired at nine shillings a week, and left his work because he considered he was not paid properly for the services performed. Mrs. Major is a delicate looking woman, with an infant in her arms, complaining that the cottage they rented of her husband's employer was in a miserable state, and that she had 'caught her death' through it. The cottage, however, seems to have been a most luxurious dwelling, as times go, and admirably ventilated. The only fault urged against it was that it was partly blown down before Christmas, and the boards were quite rotten where the snow had driven in. The real fault rests with the occupants, who are evidently living beyond their means, for they had nothing, it was stated, but two or three old guano bags to hang up and protect them from the inclement weather. The magistrates thought the cottage ought to be repaired, but fined Major 6s. 9d. costs, and ordered him to return to his work. As he could not pay the amount, his master paid it, on the understanding that it was to be deducted from the money due him at Michaelmas. Of course, no fine was imposed on the owner of the cottage for allowing it to be inhabited in its present

airy condition, and Mrs. Major will, perhaps, become reconciled to it in time. These peeps of rustic life in England are very refreshing to us weary Londoners, and some of the incidents related, when dressed up with a little humor by 'doners out' during the season, can be made to appear irresistibly comic. The papers have a story of a starving shepherd boy on the hills of Scotland being punished for appeasing his hunger upon one of the flock. He hungered, but no man gave unto him; but unlike the prodigal of old, the lad was not without resources; for instead of longing for the husks, he preferred a piece of mutton, and forgetting that 'man was made for the sheep,' he slew one and ate, and got punished for his pains.

"In America, the aspect of society is little better. Four individuals in New York are supposed to be worth, at least, fifty millions of dollars each; and it is estimated that some two hundred citizens of that metropolis are worth a million. Several railroad corporations are said to be so wealthy that they can control whatever they choose to lay their hands upon, despite any legal defense. The best informed public orator, Wendell Phillips, discourses thus: 'The main point he aimed at was the contest between capital and labor, which, he declared, was destined to eventuate in one of the grandest struggles which the mind of man can comprehend. The late movement in America is, in a sense, in alliance with progress in the same direction in European countries, and is to-day the agitation of the civilized world. The laboring class claims a totally new deal. What is

called Christendom holds about 300,000,000 of people, and it is a fact that at least 100,000,000 suffer actual want of sufficient food for the body, as well as for the mind. Four-fifths of the people of gay and luxurious France, seldom taste the real luxury of living. According to Cobden, 2,000,000 of the population of beef eating England, never taste meat. In America, one-third of our 40,000,000 of people, find their lives spent in the severest toil. They rise in the morning and toil throughout the day; go to bed at night; their sole object, hope and ambition being, simply, to procure bread. The operatives in the Manchester cotton mills, and other classes of laborers, devote their lives to the struggle for the barest and humblest necessities of existence. Such a condition of life is not evidence of that broad humanity and Christian civilization with which we ought to be content. It is a civilization which leaves 50,000,000 of human beings on the verge of actual want; and can come from no good source.' Mr. P. deprecated the civilization of the times as tending to great cities; and that intemperance and crime, prostitution, and all those kindred evils, are the inevitable results of poverty. A wealthy individual devoted a small portion of seventy millions to alleviate the unhappy condition of the working women of New York, which deserved praise, but at the same time, it was a crying shame upon the civilization that made it necessary. The brains of the nation are what is wanted to deal with this problem. The present is the age in which great problems of industry are to be examined."

A writer in the *Fortnightly Review* asks : " What, in few words, is this problem of capital and labor ? And answers it is this : In this complex industrial system wealth has discovered the machinery by which the principal, in some cases the whole results of common labor become its special perquisites. Ten thousand miners delve and toil, giving their labor and risking their lives ; ten masters give their direction and the capital, oftenest only the latter ; and in a generation the capitalists are rioting in vast fortunes, and ten thousand workmen are rotting in their graves, or are in the workhouse. And yet the ten thousand are, at least, as necessary to the work as the ten, and more so. The ten capitalists are practically the law makers ; the magistrates the governors, the educators of them. The priests of all creeds are their creatures. Practically, they make and interpret the law—the law of the land, the law of opinion, and the law of God. They are masters of the whole social forces. The whole social force is directed for the benefit, not of those who want, but of those who have. Habitually, unconsciously often with what they think a religious sense of duty, they work the machine of society for their own objects. Luxuries are wrung out of the peasant, who lives like a beast of burden and dies like a dog in a ditch. Whilst the capitalist is courting society for a peerage, a thousand lives of seamen are lost, decoyed in rotten ships to sea. Whilst millionaires can still paralyze the legislature, a thousand lives are lost each year in pits. And whilst fortunes are reared by iron masters, a hundred thou-

sand are ground to the dust by truck. A hundred thousand families are cheated, insulted, and oppressed by being forced to barter portions of their wages for some fraudulent equivalent in goods; whilst the laborers are as worthy of the profits as the capitalists. The system by which the gross result is appropriated by capital, and under which the self-indulgence of wealth soars to unimagined heights, whilst the area of misery, ignorance, and exhaustion sinks even deeper, is a system which is doomed to end. The claim of capital to amass wealth by whatever means it chooses, and to spend it how and when it pleases, is so vile; the claim of the workman to have his part in the social result is so unanswerable, that the end and issue is not doubtful."

It is estimated, on trustworthy grounds, that there are not less than 100,000 children, of both sexes, at work in the factories of New York. They are employed making envelopes, boxes, gold leaf, collars, artificial flowers, tobacco, etc. Their ages range from five to sixteen years; having no chance of education. In many cases they perform as much work as adults, and for but a fraction of their pay; although their daily toil is both intense and wearying. They live mainly in cellars, and damp and unhealthy places; in consequence, they become stunted in body and mind. There are 60,000 persons in that city who can neither read nor write.

THE SOLUTION OF THE CAPITAL AND LABOR QUESTION
INVOLVED IN THE RATE OF INTEREST.

V.—In the foregoing pages you have the picture of a civilization which suggests the gravest reflections; not a feature indicating either government or economy. All the advantages which go towards making life desirable are conferred upon the few—the possessors of wealth and luxury; whilst the poor, the weak, the immature, the infantile—a too large number—are ground to the dust. One fails to detect either care or economy on the part of governments or statesmen, where there is such contempt for human happiness, and such waste of human life. The spectacle is one of *undistributed capital*; and nowhere is it carried to such a disastrous extent as in large cities. The centralizing power of capital build cities, which serve to aggrandize the few at the expense of the many who are doomed to suffer keenly all the evils attendant upon degrading poverty. If political economists have aided in the slightest degree the increase of national wealth, let them have the credit of it. But one thing is certain: they have failed to originate a single principle worthy of the name of economy, since that wealth remains undistributed, and whilst the sum of misery arising therefrom remains intact.

W.—Undistributed wealth has been the standing complaint of the French people ever since the Revolution of '89. This nation is keenly sensitive above all others of the privileges of capital; but we see with what success it has more than once attempted to establish a social equality, or anything like equality of property. Am I to understand that you justify the poorer classes laying hands upon the property of more fortunate neighbors, and dividing it amongst themselves?

V.—It is a notorious fact that the legislation of nations hitherto has been almost wholly without a guiding principle. It is a truism that the glorious constitution of Great Britain itself is but an elaborate tissue of expedients, exclusive of any general intelligible law. The French Revolution, under the guidance of Robespierre, went in for a radical overturning of a society which had been assiduously built up upon a similar *laissez faire* expediency during a period of eight hundred years. "It swept away the ancient monarchy whose traditional policy (another name for expediency) had created the kingdom; a national church; a tenure of land which maintained a valiant nobility; it confiscated all endowments, and abolished all corporations; erased from the map of the soil all the ancient divisions, and changed the land marks and the very names of the country; it entirely effected its purpose, which was avowedly to destroy all the existing social elements, and level the past to the dust." That was a reconstruction of society upon a magnificent scale, but as purely arbitrary and tyrannical in its spirit as

the civilization it had blotted out. Property, and all the good things of France, were equally divided ; but how long did this disposition of property hold ? Since that period there have existed the Empire, then the Bourbons, after that the second Empire of Napoleon, and now the Republic again. It is but yesterday the Commune of Paris clamoured in utter despair for a re-division of the property of their unhappy country. The United States, when it got rid of the traditionary policy of Great Britain, it commenced with a clean slate, and a constitution which was supposed all but perfect ; but what has been the history of that nation, and wherein has its legislation differed from that of its predecessors in history ? The rights and liberties of the citizen have been all but neutralized by wretched expedients of laws regarding property ; so that a monied man may do what he pleases with impunity in all the more intelligent communities of the period. Such a division of property as took place in '90, it is impossible to justify, and must be looked upon as an outrage upon civilization. Every arbitrary act, and every unrighteous division of property will come back upon the perpetrators. But it does not follow that if arbitrary or class legislation has failed to do justice to the working man, that there are not obstructions to be removed from the field of labor, and rights to be recognized which have hitherto been ignored.

W.—Do you affirm that the field of industry is ^{not} free to all who have a mind, by diligence and economy, to acquire a competency ? If persons fail of success in a free country, is it not their own fault ?

And should not the idle and improvident suffer the consequences of their folly?

V.—I am aware that persons fail of success from personal vices and unsteady habits; but these causes are inadequate to account for the general failure. Men in general are, as a rule, steady and industrious; yet they fail of a desirable and satisfactory result. Statistics and history corroborate what I say. Is it not a fact, that in business there are ninety-nine blanks to the hundred chances? If one field produces a good crop of wheat, and another a poor one, from the same seed, must not the conditions answer for the difference? I argue, therefore, there must be a general cause operating against the elevation of the laborer.

W.—The problem is a difficult one, and little, as yet, has been done towards its solution. Praiseworthy as have been the efforts of Messrs. Hughes, Harrison, Arch, Goldwin Smith, and others, they have failed, by union and co-operative measures, to do more than effect a better understanding between master and man. They now discover the futility of attempting to alter a law of nature; or, in other words, to neutralize the influence of the labor market on prices of manufactures. Thanks are, however, due for the agitation they have caused on the labor question.

V.—It is very evident that the question now agitating civilization is not merely a quarrel between master and men, but a question of deeper import—that of the distribution of capital. An analysis of industry will lay bare the fact, that in every produc-

ing and manufacturing enterprise, interest for capital employed must first be deducted from the gross earnings before an employer can decide what wages should be paid for labor, and before he can ascertain his own profits; the term *capital* being understood to stand for and cover money, tools, rent, etc.—all, in fact, that goes to make up that sum of facilities which the employer is supposed to control, apart from the active labor engaged. Interest, therefore, on the sum of those facilities, must, it is very obvious, always come in as a first charge upon the results of labor; before either wages or profits can be apportioned. If interest is high, the less will be the profit; if low, the greater the sum to be divided. This narrows down the question, you see, to a matter of interest for capital—a very different question from that which has been so much agitated, without almost any appreciable result. Evidently, the labor agitation has never questioned the rights of capital, as they are now maintained, in charging such high interest. The rights of the capitalist indeed have been questioned enough—meaning by that term the employer of labor—forgetting that an employer is not necessarily a capitalist. It is plain, however, the necessary element of capital has rights of its own; and distinct from those of the employer and employee. But agitators have failed to do justice to the labor movement, because they have admitted the right of the capitalist to a high rate of interest being deducted, before wages or profits should be apportioned. Admit the justice of a high rate of interest, and it

is impossible by legislation to improve the condition of the laborer. On the contrary, neutralize interest; and to that extent you place the working man on the scale of his merits—you do him justice. His skill and diligence is fully rewarded.

W.—But if you blot out interest, don't you annihilate capital?

V.—By no means. Blot out capital, and you deprive industry of its greatest support—its necessary aid. Cancel interest merely, and you not only leave capital in full power and usefulness, but you divert its profits from the capitalist to the laborer; that is to say, you distribute capital. But allow me to illustrate what I mean by the interference of capital with labor when a high rate of interest prevails, or say even at the current rate in the Dominion—ten per cent. An individual possessing, say \$10,000, let out at the current rate, compound interest, it would double in about seven years; and in about sixteen years it would increase five fold nearly—adding principal and interest together. The \$10,000 would become nearly \$50,000. This result would be accomplished, though the possessor whiled away his time in idleness, providing he employed a broker, which he could do at a slight commission. Now the question is by what means was the \$10,000 increased to \$50,000? Obviously, by the skill and industry of an army of laborers, who merely made wages out of the enterprise. But the \$40,000 of increase, nearly all, went into the pocket of the capitalist, who did not trouble his head or hand in the operation. The skillful laborers had no share of the increase,

which they were the active agents in making. Nay, more : at the end of that period, the workmen were possibly in a worse condition, financially, than at the commencement ; having families they could barely feed and clothe, and their children having to be educated at the expense of their neighbor's property !

It is obvious, therefore, that if in a self-sustaining community money should be had at or near cost, then the whole of the \$40,000 of increase would go into different pockets—those of the rightful owners who made it. What a comment upon popular ideas of economy ! Is this not the manner in which the rich become richer and the poor poorer ? That \$40,000 indicates the fearful odds against the working man.

W.—But has capital no rights ? How could men get employment without it ?

V.—You err in supposing that any less capital would offer for employment at a low rate of interest. On the contrary, the profits of capital being distributed, would give an increased motive to exertion.

W.—Then, in order to relieve industry, you would reduce the rate of interest ?

V.—Plainly, that is the point. The working men of Canada and every other country feel they don't get a fair share of the results of industry ; but how this happens they cannot well define. Yet all the trades are agitated in consequence of the manifest injustice. The cause is very obvious, and inheres solely in the rate of interest. If you cancel interest, nothing can prevent the laborer, if he chooses, getting the full reward of his intelligence, skill and

diligence. Every legal disability will be removed from his path.

W.—How would you reduce interest? By a usury law?

V.—As well attempt to alter the price of bread or beef by such means. Money, which is now a monopoly, must be placed upon the same footing as commodities, subject to the laws of supply and demand, free manufacture and a free market.

W.—Is it not so now? You certainly err in supposing our Banking law not free, since any number of banks may start business.

V.—We shall discuss that presently; but allow me to remark that, inasmuch as the law is partial and does not cover all the property available as money, in this sense it is a monopoly.

W.—Would not a reduction of the rate of interest detract from the utility of capital?

V.—You surprise me. It would be as wise of you to inquire if the higher the rate would not enhance the value of money? But it is self-evident the more interest paid the less capital is at the command of the borrower. And if the rate of interest should decline, it does not follow that the principal should fall below par.

W.—But would a decline in the rate not check enterprise?

V.—On the contrary, it would stimulate industry. Because capital would be forced into active employment to turn it to advantage. A legitimate and steady reduction would accomplish two objects: it would deprive money of all of its objectionable

qualities, and leave with it all that is desirable and useful. And it would prevent the capitalist appropriating more than his share of the profits of industry ; it would distribute capital.

W.—Now I perceive wherein your use of the phrase “distribution of capital” differs from the sense attributed to the Communists. You refrain, even by law, to interfere with vested rights, and leave the owner in full possession of his property ; but you prevent those possessions *being doubled and quadrupled by exorbitant interest*. In fact, you prevent, as much as possible, the increase of capital, except by active industry. On the other hand, the condition of the working man is improved to the extent that interest is reduced by adding to wages—placing him on a par, to some extent, with the possessor of wealth ; inasmuch as his skill and activity are fully rewarded. Again, competition with you is unchecked, affording the indolent and improvident no protection—all being placed on their merits.

V.—And this result, you perceive, I bring about by the recognition of rights hitherto ignored, the right of the best securities being monetized.

W.—That is: you bring to the aid of productive and manufacturing industry, the capital of the landed interest, giving the owners of the best securities the power of issuing money—a policy the very opposite to what agitators on the labor movement have pursued, as they have persistently and most unnaturally arrayed the interests of labor and property against each other.

V.—That arises from the friends of the work-

ing man failing to perceive the mutual helpfulness of all classes of industry to each other, which a just legislation brings into play. Let there be placed upon the statute book an adequate general property law, as suggested, and it would at once wipe out the thousand and one arbitrary expedients, which have served so long to degrade the industrial classes, and do justice to all. It is the saying of a modern philosopher that "property keeps the accounts of the world," but I say it does not yet keep them correctly. What do you suppose the effect would be to society, of a reduction of the rate of interest, say to the cost price of money?

W.—I cannot pretend to predict. What say you?

V.—Were I to particularize, I should hazard my reputation for veracity; but I may say it would place commerce upon a basis of justice; the rest I shall leave you to imagine.

W.—Your ideas will be stigmatized as Utopian.

V.—One may well afford to bear the slander when, doubtless, an enlightened self-interest will duly enforce their realization. But if the epithet Utopian means justice, I have no objections to it. A citizen from my country knowing the high rate of interest prevalent here, could have predicted the unhappy condition of the laboring classes. England, in this particular, might be thought somewhat exceptional, as there a lower rate of interest prevails, whilst the industrial classes are fearfully degraded. But, there the favorable finances are more than compensated by the high price of food. It must be remembered

the position of Great Britain is anomalous, in consequence of her great manufacturing power supported by a limited agriculture. To any one who carefully considers the subject, a doubt must arise as to the permanency of manufacturing supremacy, in a nation so situated. For, other things being equal, those countries in possession of a favorable soil and climate must, ere long, assume the lead; as machinery may either be invented or imported, and any people may be educated in manufacturing skill.

W.—Have you not exaggerated the current rate of interest?

BUILDING AND LOAN SOCIETIES.

V.—I speak of your institutions from what appears in the press. I am not acquainted with any loan society that charges less than ten per cent. And many charge a great deal more than they would have people believe. I have before me the report of one of these Loan and Building Societies, professing to be of the more respectable of its class; and purporting to have a capital of a million of dollars. It shows investments in 4542 mortgages of value \$2,859,760. The cash receipts for 1872 were \$1,382,019, of which \$817,440 were received from mortgages as repayment in advance.

From the memoranda published, showing the rate of interest charged on loans, and the manner of computation, I take the following examples: The borrower of a \$1,000 for ten years, payable in instalments of \$76.90 at the end of every succeeding six months, liquidating principal and interest. This loan is affirmed by the society to be less than eight per cent. per annum. It commences by charging eight per cent. for six months on the \$1,000, which is \$40, and this charge is continued throughout the twenty half-yearly payments—each time deducting \$40 interest, as if the whole \$1,000 were still in the hands of the borrower; when, manifestly,

it has changed hands and gone into the sinking fund of the society. This they call the Credit Foncier principle of computing interest—a most ingenious contrivance to increase profits by collecting interest upon a principal which has gradually disappeared from the pocket of the hapless borrower and gone to augment the sinking fund. So, upon the pretence of charging less than eight per cent., they knowingly collect more than ten per cent. per annum. Another instance of a \$1,000 for twenty years, payable in instalments of \$111.20 yearly, the money costs over eleven and a half per cent.! The president, in his report, curiously enough deprecates the rapid increase of similar societies, and, likely, to an extent beyond the capacity of the country to maintain. In which fear I perfectly concur, as they are cropping out in every town and village; and appropriating all the landed securities they can lay their hands upon under similar pretences.

W.—The aggregate annual interest in this community amounts to many millions of dollars, taken from the industrial classes and transferred to the capitalist, in obedience to an unjust legislation, you would say?

CANADIAN BANKING AND MERCANTILE AGENCIES.

V.—Certainly; your banking law is at fault, when it serves as a protection to the merciless usurer. We hear this is an age of inquiry, in which the opinions of the gravest philosophers are hardly safe; and the most sacred recesses of both Church and State are turned inside out. True it is but yesterday the infallibility of the Pope became a harmless exploded dogma. Such violent changes, I confess, are not thought agreeable; nevertheless, immunity from criticism on the part of any public institution is of itself a source of weakness rather than of strength, and a presumption of unfitness for the place it occupies in a progressive civilization. In a country blessed with free institutions and a free press, it is the conceded right of the humblest citizen to ask questions of public interest, without suffering humiliating apologies for the exercise of it, because it contributes to a healthy public opinion. I may be allowed, therefore, to inquire what is a bank bill?—a simple enough question, yet deserving a reply.

W.—It is, plainly, so much money—a dollar.

V.—I regard it differently.

W.—It will buy what I please to that extent.

V.—It is but a promise to pay; and would it not be more proper to say the holder has *parted with a dollar* for it?

W.—Then the banker has got the money, and I the promise ?

V.—It appears so.

W.—That is strange, I confess. But cannot I get gold for it ?

V.—I must refer you to a monthly bank statement ; any one will do ?

STATEMENT OF BANKS IN ONTARIO AND QUEBEC ACTING UNDER
CHARTER FOR THE MONTH ENDING JANUARY, 1873, ACCORDING
TO THE RETURNS FURNISHED BY THEM TO THE AUDITOR OF
PUBLIC ACCOUNTS.

Capital, paid up\$48,554,114 08

Liabilities.

Notes in circulation.....\$24,491,384 00
Government deposits, on demand... 3,488,167 91
Other deposits, on demand..... 28,259,437 75
Deposits payable after notice..... 25,068,129 40
.....\$81,307,119 06
Other liabilities..... 3,491,043 52

Assets.

Specie.....\$5,943,418 83
Dominion notes 8,164,251 95
.....\$14,107,670 78
Notes and bills discounted.....107,028,031 68
Other assets..... 25,842,185 21

V.—The above items I divide into two classes : Those that refer to the issues which are public property ; the other items concern the private business of the banks. Speaking advisedly, the *private* business cannot be estimated by the public. Bankers, in fact, would require to be something more than human, to publish statements of their affairs that might prejudice their interests. How should they be expected to exaggerate their debts, or undervalue their assets ? But is it not cruel to insist upon per-

sons of education and refinement discharging so delicate a trust—one so intimately effecting their honor as the publishing of private business? Pray, does the good auditor never think of this?

W.—It does appear an almost impossible duty, I must say.

V.—The issue department represents deposits and circulation, all payable on demand, with the exception of twenty-five millions, at fifteen days' notice..... \$81,307,119
Assets available; gold and Dom. notes.. 14,107,670

\$67,199,449

W.—What of this deficiency?

V.—I cannot say, unless the private business is chargeable with it. If so, to that extent is the circulation imperiled by ordinary transactions. I remark, capital is small compared with loans and investments.

W.—That is accounted for, I suppose, by the issue of bills to double the extent of the capital, in discounting. A large quantity of the notes remain in circulation, but the greater part return as deposits, which again are loaned.

V.—Deposits are, therefore, of the same liability as circulation, payable on demand, in gold?

W.—Our writers on banking are not so exacting.

V.—Wherein is the difference? Deposits in ordinary banks are not so liable, I grant; but it must be so with banks of issue.

W.—You are not so unreasonable as to expect immediate payment, however?

V.—Then what guarantee has the creditor?

W.—The Dominion notes are the only tangible security; but Canadian banks have generally met their liabilities.

V.—It is not what banks may choose to do rather than forfeit their credit, but what they may be compelled to in case of necessity, that should be satisfactory to the public.

W.—Were they bound to give security, it would contract their privileges.

V.—If it would ruin them to do so, how do they claim being so very helpful to industry?

W.—By their credit, I suppose.

V.—Ordinary transactions in business may be conditioned in any way the parties please; but legislation on a currency should, at least, satisfy the creditor, should it not?

W.—That appears reasonable.

V.—From what source do ministers of a free country acquire the power to legislate the money out of people's pockets, and hand over their interests to companies who cannot give a *quid pro quo*? But, tell me, do bankers practice what they preach? Do they loan without getting security? If Jones, when he applies for discount, has to give an endorser, is he not entitled to ask a similar favor in return?

W.—So far from a customer suggesting such a favor he has rarely sufficient stiffness left, after parting with name, endorser, warehouse receipt, bills of lading, etc. Would you believe it that merchant is another name for clay in the hands of the banker of the period?

V.—You astound me. But that eighty-one millions, is it not so much borrowed from the public?

W.—That cannot be denied.

V.—Well, what interest is allowed?

W.—It appears that twenty-five of it, only, collects interest, and at four per cent. If bankers pay interest, they say they cannot pay dividends. Is that not satisfactory?

V.—What do they make out of their customers?

W.—I am informed: nine per cent. on discounts; five on currency; four on deposits, and enough more on commissions to make up 25 or 30 per cent. on their capital.

V.—Then they neither pretend to give interest nor security?

W.—It appears not.

V.—But let us return to the line of discounts. It is one of those items of private business I had rather decline remarking upon, but it is pressed into notice by the bankers themselves. The circulation, and I might say the commerce of the country, mainly rests on the value of this item—upon personal security; and yet how difficult it is to estimate it. I question if a banker even could do it justice. These considerations occur: What part represents real transactions, and what not; and what part renewals? Then again, transactions may be real, but the standing of the parties dubious; and does any part represent stock? It must be taken at the estimate of the banker and his irresponsible agents, after all.

W.—Softly, my friend, allow me to inform you that the value of a promissory note is not left to

the judgment of either the directors or manager. There exists an institution which comes to their aid in the arduous duty of rating the credit of business firms; and that is styled the Mercantile Agency—an institution, I dare say, you are in blissful ignorance of in your felicitous Isle. This concern is the outgrowth of the credit system; and is peculiar to the refined economy of the period. You will say so when you learn it differs it its spirit and genius from every other lawful business. The familiar old adage, “Let every man mind his own business,” is not found in the vocabulary of this institution, whose mission is *to look after the business of other people*. It is assumed this system of *espionage* is peculiarly helpful to the banker, since he pays such large sums for its information. No sooner is a note discounted than a spy is set over the customer to watch every use that is made of the money; and a favorable report is looked for with anxiety. So, you see, holders of bank notes don’t run much risk after all.

V.—Ah, that indeed is information to a citizen of Bensalem, and places your banking system in an entirely new and interesting light, since the value of the circulation must be taken at the estimate of the mercantile agency. But may I be allowed to make a suggestion? As your people have so much faith in what debtors say of their liabilities, would it not be an improvement upon that cumbrous detective machinery you have explained, to have an act placed upon the statute book requiring the grocer, the haberdasher, the merchant, mechanic, and manufacturer of every line of industry, to furnish a monthly

statement, similar to that of the banker, of the state of their business, for publication in the *Dominion Gazette*, and headed "According to the returns furnished by them to the Auditor of Public Accounts." It seems to me this method would simplify the process, and furnish a solution of the difficulty of arriving at an estimate of the real standing of parties offering for discounts.

W.—The plan is a feasible one, and it is surprising that "the sharp-sighted managers" never hit upon it. Its adoption would save the banks the enormous expense of keeping up an army of spies; and, moreover, would not be half so distasteful to their customers as the present method.

V.—But are we to assume that the banks only are interested in this mixed business? If they must have good marks, and are so willing to pay for them, can't they be manufactured?

W.—I don't see why they shouldn't; there is enough of shoddy, in all conscience, these days for every purpose.

V.—Before leaving this subject, there is one more question I should like to ask: Is the item of Stock exactly as it is represented?

W.—As I am not in the secret of the banks, I shall have to refer you to the pages of the "leading journal" in the early part of 1873, upon this very point. It remarks, "The first point that strikes one on examining the foregoing statement is the great increase which has taken place, apparently, in the amount of money placed directly under bank control as paid-up capital. We say *apparently*,

because there can be no doubt that some of the increase is of a fictitious and deceptive character. It is well known to many that a certain proportion—probably *ten millions*, in round numbers—has, practically, no existence whatever. The banks are prohibited from making loans on the security of their own stock; but they can and do lend on the stocks of other banks, (in the statement,) and it is easy to understand how, under these circumstances, bank capital may nominally be increased without there being a corresponding increase in the sum total of the funds held by the banks in the aggregate. Of course loans were made on stock collaterals previous to 18— as well as since then, but, by no means, to the same extent: and we may have here a disturbing element in the calculation, at which it is not easy to arrive with anything like exactness.” Is that not satisfactory?

V.—The banks discounting each other's stock. Since your banks trade beyond their means and don't give security for their issues, how does the legislature justify the action of granting charters to such monopolies?

W.—I cannot say. An honest attempt was, indeed, made by a late finance minister to throw more security into the system; but proving himself unequal to the task, he found it convenient to resign and accept a situation in an English banking house. Notwithstanding your condemnation of the law, however, it must be thought a good one, when so many new banks are being organized under its provisions.

V.—To me it is only surprising that capitalists are so slow in availing themselves of its advantages; for it must be a profitable business when property and interest too, can be had on such easy terms. Verily, the banker of the period is in the lucky possession of the famous ring of Gyges, which smites the public blind to their true interests! To form an estimate of the utility of Joint Stock Banking, as an industrial engine, for the development of the resources of the country, you have only to consider where are the government securities, railroad bonds, bank stocks, etc., and you will discover they have gone, with other valuable securities, into the possession of foreign money lenders—foreign in a commercial point of view.

The commercial balance of Canada, during the past twenty years, has been almost constantly on the wrong side of the ledger, I understand; necessitating the exportation of the above mentioned securities; interest upon which, has, of course, annually to be exported.

THE BANK OF ENGLAND.

The invention and use of paper money forms one of the most interesting, as well as instructive pages, in the annals of commerce. It marks at once the credulity, the ignorance, the enterprise, and sordid love of gain prevalent in that period. The establishment and early management of the Bank of England, are credited with its introduction; but the unqualified condemnation of that powerful institution—which has so long led the finances of the world for its handiwork—would be uncalled for at present, as there were mitigating circumstances which rendered it necessary that something should be done to meet the wants of extending commerce; and paper money met the exigency, more especially in the estimation of the banker, who sought not so much the relief of industry as the increase of his own gains; hence the want and the opportunity were coincident. In consequence of the explosive material of which it was composed, however, the bank passed through many vicissitudes in the first century of its existence. At the commencement of the war with Napoleon Bonaparte, in 1797, it suspended payments, and for twenty-four years issued

greenbacks. Eventually, in 1844, it redeemed its honor by accepting the famous act of Sir Robert Peel, separating the issue department from the bank, and placing it under government control. The issues are now secured by government stocks and gold; and having carried good faith to a higher degree of certainty than any similar institution, it merits the praise of being the most honorable banking company in the world. But as a motive power to industry, it is too conservative, and fails to utilize its vast means. So it has, in consequence, incurred the charge of being so good as good for nothing. The balance of trade annually throws the surplus earnings of the world's industry into its lap; but it is incapable of making use of these advantages in consequence of being so much beholden to gold—in that proportion, in fact, is its power and usefulness limited; but its obligations are unquestioned. There can exist but one Bank of England under the centralizing influences of gold. The moment the balance of trade forsakes Great Britain, in that hour must the bank be reconstructed.

PAPER MONEY!

It is the misfortune of active industry that the world has been governed, not by statesmen, but by bankers; but it is bootless to blame Patterson and Law for the share they took in perpetrating paper money upon the world. It was no blunder on their part. They got their reward; but a higher name must answer for the error by their reputation. The claims to immortality which have so long and indulgently been conceded to the author of "The Wealth of Nations," must relax, when a definite knowledge is attained of the error he committed by accepting the formula of a banker as his ideal of money. It was this: "If in a community requiring a £1,000 to do all the exchanges, you set afloat a £1,000 of paper promises for gold. It will happen that £800 of the specie will find employment abroad; £200 will remain in the bank for occasional redemption, and the notes will circulate." It is not for me to explain how the discriminating mind of Smith mistook, in this instance, the shadow for the substance; but it was a fatal error. He looked upon money as simply an instrument of exchange, forgetting that it could not be a measure without holding an equal

value to the article purchased. The mistake was that of a philosopher, however; for sordid gain never stained his character. Yet his name, it is to be regretted, has been capital in the hands of wily schemers, as it has long been customary for bankers to cover up their iniquity by a quotation from "The Wealth of Nations."

Generally speaking, the staple materials of the various arts and manufactures are selected with judgment. Steel is used for watch springs; leather for shoes; tallow for soap. Paper is never thought of for such purposes. Nor is it used for gun barrels, nor steam boilers, because it is considered too weak and explosive. And yet paper, or I should rather say a mixture, mainly of paper and promises, is used in many countries for the manufacture of the most explosive engine of commerce—money. Why should it be doubted that the true staple will yet be found for the manufacture of money? But, how the world should have plodded along so slowly towards this secret, is a mystery that may be left to the future for solution.

A NATIONAL CURRENCY.

W.—If Joint Stock Banking fails to supply the wants of trade, and to reduce the rate of interest, might not a national issue serve the purpose?

V.—I grant there are advantages in favor of a national over a company issue: the one is the due bill of the government, while the other is that of a private company.

W.—If bank bills are no security, greenbacks are, at least, a mortgage upon the revenue.

V.—It is not difficult, however, to prove that even a national issue does not contain all the elements of a perfect security. The best security, as I understand it, means that the face of the note may be realized—by law, if not otherwise. Not so with a national currency, since it is not based upon any *specified* valuation of property, and cannot, therefore, be enforced. Hence greenbacks, during a period of twelve years' experiment, fail to approach nearer to the international standard than about ninety cents to the dollar.

W.—If you receive ninety cents a dollar from the broker, what does it signify, if you gave no more consideration for it?

V.—True, greenbacks have served to carry a great nation through the most trying period of its history, and since the close of the war has been equally useful in the peaceful channels of trade; but the United States labors under very great disadvantages in consequence of the shifting value of the currency. The Gold Exchange had its origin in the inflation; and though it has its uses in determining the market price of the currency, or the gold premium, yet it is a powerful engine of speculation and gambling, which bold operators use to unsettle values. Not only are railroad and other stocks played upon, but the manufacturing interests of the country are sacrificed—the market being laid open to foreign goods in spite of an unprecedented tariff.

W.—It must be remembered that more than one-half of the national debt of the United States is held abroad, necessitating the export of a heavy payment of annual interest; and until the debt is either imported or cancelled, the finances cannot be at all satisfactory. But the discount to which the currency is subject, you must allow is less the cause than the effect of that debt.

V.—Admitting what you say, then in the United States and Great Britain you have examples of a national currency in different conditions—the one at a discount, and the other at par—corresponding to the locality of their respective debts, as held abroad in the one case, and by the citizens in the other; yet in neither circumstances has the currency met the requirements of trade, as the industrial classes

are still burdened by exorbitant interest. I further object to a national issue on the following grounds :

1st. A government cannot, with justice, undertake obligations—the issue of a currency—which it has not at command the means of discharging. The functions of a constitutional government are simply to do justice between man and man, to collect the revenue, and disburse current expenses.

2d. It is assuming to tax private property to an unlimited extent without the people's consent.

3d. It should not be the duty of a free government to compete with brokers and dealers in securities.

4th. The Secretary of the Treasury cannot possibly possess the knowledge, and ought not to have the power, of regulating the quantity of circulation to the wants of trade. Every such interference must necessarily be impertinent.

5th. In neither Great Britain nor in the United States, has a national currency been placed upon the same footing with commodities.

6th. It places too great a temptation in the hands of the party in power to use it for malpractices.

7th. All national currencies are founded upon debt, and necessarily tax industry unfairly. A prosperous country should not have a debt, but it could not do without a currency.

W.—What is your opinion of the banks in the United States ?

V.—Banking there is quite legitimate. The currency is accepted as security. The people can do what they please with their money.

ON SECURITY.

V.—“ Hereby,” says Goethe, “ we bring home to our conceptions the high worth of property in land, and are obliged to consider it as the first acquirement that can be allotted to man. Yes, nature herself has so ordered it! A man born on the globe comes, by habit, to belong to it; the two grow together, and the fairest ties are spun from their union. Who is there that would slight this foundation stone of all existence?”

Who can doubt that productive landed property is the natural foundation of society and commerce? Not only do the productions of the soil go directly towards the supply of the animal necessities in food and clothing, but into the price of every manufacture does the support of the laborer enter as a leading element. In a variety of ways it may be shown that property in land is a first necessity, and has a priority of security, as well as value. The farmer is unconsciously in possession of the most powerful lever of civilization, in the shape of security; yet his interests have been controlled by money institutions, which have lessened the value of his products, increased the charges on their transportation, and raised the prices of manufactured goods. He has been sedulously schooled into the notion that banks are little providences, divinely commissioned to fur-

nish money for the purposes of trade, and the moving of his crops ; meanwhile, he being but too happy to handle a few dollars occasionally, than to give any attention to questions of economy, which are now agitating the brains of thinking persons ; and upon the solution of which depend the improvement of the condition, not only of his own class, but of all classes in the community. Philosophers say, before man can use the world aright he must accustom himself to distinguish between one object and another. Popular opinions must be tested, and their fruits and errors carefully sifted and separated. "A good tree cannot bring forth evil fruit ; nor can a corrupt tree bring forth good fruit," is a maxim as suitable to finance as to morals. Remember, that a true economy is not something which, by luck, may turn out well for us, and without luck may prove a failure. On the contrary, it must be that which is calculable and axiomatic in its principles. That credit should have presumed so long and successfully to tax security, doubtless arose from the owners of the best securities not appreciating their advantages in the social or industrial scale. Is not the history of monetary science much like that of an architecture which commences not at the foundation to build a house, but at the top of the chimney ? Credit corresponding with the chimney pots in the air ; a national issue with the first floor ; whilst security composes the solid foundation of the structure ? Commerce, during almost every decade of the past centuries, has suffered embarrassment and loss, in consequence of baseless chimneys toppling over, and precipitating

their objectionable *debris* upon the unoffending but diligent workers in the lower parts of the building. Only imagine the dismay and chagrin to which those honest toilers in the basement were subjected, when periodically forced to assume, in addition to their own burdens, the dishonored debts of their more presumptuous fellows! Be aware that credit, wild and irresponsible as it may be, must at last be born by security; and every crisis, panic, failure, and revulsion has to be made good, either by the broad shoulders of capital, or the brains and muscles of active labor.

W.—It will hardly be doubted that security is the best staple from which to manufacture money; as very generally the ablest thinkers are coming round to such views; and, besides, there are the practical examples of both Great Britain and the United States in favor of security money.

V.—The theory and practice of both these nations evince progress in monetary science; but the defects of a national issue, as has been pointed out, are sufficiently important to limit its usefulness; besides it is impossible to look upon the condition of the working man in either of these countries with complacency. If capital distinguishes civilized society from barbarism, more certainly will the distribution of capital mark the higher civilization, which is the vantage ground of the working man.

W.—But how do you discover the best security?

V.—Only observe what the money lender chooses as the best; he infallibly lays his hands upon productive property when he has his choice.

W.—There are a variety of securities.

V.—True ; there are government securities, railroad bonds, corporation debentures, bank stocks, and others. These securities, judging impartially, are valuable in proportion to the solvency of their respective corporations, and the dividends or interest they pay. All, however, are of secondary importance to the security of productive property, and dependent upon that interest, more or less, for their availability as investments.

CREDIT FONCIER SOCIETIES.

The history of "Credit Foncier" is particularly interesting to the student of finance. This manner of loaning money upon real property originated in Silesia, Prussia, about 1770, or immediately after the seven years' war. The country was in a deplorable condition by reason of the war, and the low price of provisions after the war was over. The rate of interest had risen to about ten per cent., and an additional two or three per cent. commission was demanded of the ruined proprietors. The aggregate of their debts was enormous ; and they were every day in fear of losing their estates. This suggested to a trader of Berlin, M. Buring, the idea of relieving the distress by substituting for the responsibility of each debtor the collective guarantee of a company of landed proprietors, whose estates should all be pledged to the company by a contract of mortgage.

This is fundamentally the principle of Credit Foncier, which has spread itself over Germany, Belgium, and France ; and which has been so much lauded by persons engaged in similar transactions in Canada. Doubtless much good has been accomplished, and chiefly in this particular: the rapacity of the common usurer was checkmated by the substitution of a lower rate of interest for money borrowed upon real estate. The system might have originated in the humanest motives; but relief could certainly have been afforded to the suffering proprietors upon a less expensive plan. Why was it not suggested to the proprietors that they themselves might form a company, all equally interested, and might borrow money directly instead of having it come through the hands of a company of brokers that would exact a *shave* for their services. The contract of mortgage from the half-ruined proprietors was, after all, the basis and guarantee for the loan effected, and not the capital of the company, which doubtless was but nominal, or a fraction only paid up, as are all such projects got up for the handling of the property of others for their own pecuniary behoof.

I have before me the prospectus of the Boston Mortgage Company. The company is being organized, and publish their inducements to persons desirous of becoming stockholders. Its *nominal capital* is \$2,000,000, in shares of \$100 each; to be located and managed in that city. The object of the company is to loan and re-loan its money upon first mortgages on real estate, situate in the State of Massachusetts or elsewhere, to the extent of fifty

per cent. of the actual cash value of the property loaned upon; and to take as evidences of such loans bonds or notes, payable to itself at its office in Boston, and secured by deeds of trust or mortgage. These notes and securities the company are authorized to endorse, guarantee, and sell to *ten times the amount of its capital and guarantee fund!* The business man and capitalist who will take occasion to examine into the powers guaranteed to this company by its charter, will not fail to see that, with judicious management, its stock will prove a safe and profitable investment. "*Dealing in the safest securities known to human experience—first mortgages on real estate—it cannot fail to be highly profitable.*" Similar institutions are in successful operation in New York and Montreal, the stock of which is selling largely above par.

This company plainly tells the holders of real estate what they ought to have known: That money lent on first mortgage to half the value of the property, has prime security; and further, that such securities are the safest known to human experience; and further, that a hundred dollars will manage a thousand dollars' worth of such securities; because they are of so much intrinsic value as to float of themselves. It is, evidently, the opinion of the legislature that grants these powers, that the mortgages described would negotiate themselves, without any extraneous aid. But I may now notice a successful institution of the kind nearer home. The Trust and Loan Company of Canada has been engaged in this business the last twenty years or more.

Its head office is in London, England; and the Canada agency located in Toronto. Its nominal capital is one million sterling, and I am not aware that over twenty per cent. is paid up. It has been a useful institution to the farmers, inasmuch as it has negotiated their mortgages in Europe at a low rate of interest, and furnished them money more reasonable than could have been had from the ordinary "Jeremy Diddler." No better proof of the high character of ordinary farm security can be demanded, than that this institution has been in successful operation for so long a time, and done an extensive business with a comparatively nominal capital. I may here state that the *letter de gage* of the Credit Foncier system, which is equal to the common mortgage in value, maintained its value better than the public funds. In the Revolution of 1848, in Silesia and Pomerania, they stood at 93; Western Prussia, 83; Eastern Prussia, 96; when other public securities experienced a frightful depression. The English three per cents fell to 50 early in the present century.

**THE FIRST MORTGAGE ON PRODUCTIVE PROPERTY
THE BEST SECURITY.**

These instances furnish all the proof necessary of the prime importance of productive land as a security. In all these institutions, the first mortgage forms the basis, security, strength, and success of the concerns themselves. Not only does the mortgage raise the money to relieve the necessitous farmer, but it pays those companies or brokers a handsome income for their services of management. Can there be any further necessity to accumulate proof in order to open the eyes of the fortunate possessors of such property, and to teach them, not only their duty to themselves, but to society in general; since it is consonant with their own best interests?

What I have been illustrating, in a variety of ways, is that all currencies, issued upon whatever pretence or principle, must fall back upon the best securities to make good losses, together with commissions, brokerage, etc. Why not, therefore, construct a currency directly upon those securities, and save the charges which support the banker and broker, burdening the producer? You have probably heard of the Eastern Prince, whose factor levied a heavy tax upon the tillers of the soil for the water they required for the purposes of irrigation. So burdensome had been those exactions that

they could not afford to pay for water to irrigate their lands. The consequence was that the lands ceased to produce, and the revenue of the prince proportionally diminished, while there was no lack of water in the imperial reservoir. On careful inquiry, the king became assured that his tyrannical factor was to blame. So he passionately commanded that the unjust steward be thrown into the reservoir to sink, or swim for his life; and that the sluices be immediately opened upon the famishing country, when, from an abundant supply of water, the crops improved, and the wheels of industry began to move. Now, the difference between the new economy and the old methods of supplying money, is this: That while the banks throw every obstruction in the way of getting at the national reservoir of security—because it is their interest to do so—the security bank taps it for the benefit of the whole country, saving industry all unnecessary charges, commissions, brokerages, interests, etc.

W.—Then you would give the power of issuing money to the parties who possess the security, whoever that may be.

V.—Yes, to whoever has the staple of manufacture—to use it, or abuse it, as he pleases. Let it be enacted that the possessor of productive property be empowered to issue money to the extent of a half or a third of its fair cash value; and that said issue shall constitute a first mortgage upon the property.

THE SECURITY BANK OF ISSUE.

Allow me to give in the following document the leading principles of the constitution of the Security Bank of Issue, of Bensalem, which speaks for itself, and makes many questions unnecessary to be asked.

Copy of the Act of Incorporation of the Security Bank of Issue.

1. Productive or farm lands only, are recognized by the provisions of this Act.

2. The farms to be valued by two officers; one chosen by the bank, and the other by the government.

3. A registry book kept by each county, in which, opposite the owner's name, will be credited the valuation, and debited the legal encumbrances: mortgages, judgments, etc.

4. The proprietor is entitled to draw currency to the amount of half the value, upon having a first mortgage duly registered against the property for the amount.

5. A proprietor may object to the valuation made. All such cases will be referable to a Court of Revision for adjustment.

6. Ten per cent. of the mortgages may be negotiated for gold, at such a rate of interest as will be an inducement to investors; forming a fund of

exchange. Such mortgages may be foreclosed at a specified time.

7. The currency will be exchangeable at the head office for gold at par, on demand.

8. A small charge made to meet expenses, say one per cent.

9. Mortgages limited in time, only at the option of the mortgagor, unless in cases where they are negotiated for exchange.

10. Notes, or sub-mortgages, will be signed by the cashier and countersigned by the Dominion Secretary of the Treasury, the latter name signifying the nature of the security.

11. The office will open for business when ten millions is demanded.

12. The business will only be that of a Bank of Issue, and no deposits received.

13. Mortgages payable in whole, or in part, always at par value, at the option of the mortgagor.

14. All issuers become stockholders.

15. Officers of the bank chosen by stockholders.

FORM OF ISSUE.

\$10.00.

The Security Bank of Issue

Will give in Exchange for this Sub-Mortgage

TEN DOLLARS, IN GOLD,

on demand at the head office.

*This Sub-Mortgage is secured by
double its value in productive property.*

JACOB FAITHFUL,

Cashier.

JOHN KENWORTHY,

Secretary of Treasury.

Canada, January, 1874.

W.—It is surprising that just ideas on currency have made such slow progress.

V.—All things considered, it is not to be wondered at, as the persons who make the property are seldom the individuals who handle and control it. The latter duty, and the pleasanter of the two, has always been entrusted to penniless agents, or bankers, whose interest it was to play an underhand game with industrious and hard-working people; making them believe, if possible, that black is white. Experience teaches, however, that the class who, by their industry, grow wheat and other useful crops, raise cattle and sheep, etc., and take the advantage of the markets in season, are quite competent to manage their finances also.

W.—But would it not burden the producer with duties foreign to his profession?

V.—By no means; it takes but few heads to manage any equitable system. Each proprietor would have only to mind his own particular interest: to issue when he could make anything by it, and pay back when it would only be liable to loss in his possession. That much is easily learned. You perceive the basis is sufficiently broad to supply all the money needful to trade. It would be issued when wanted, returned when not wanted; as a farmer raises wool when there is a market for it, but when the demand stops, he sells off his flocks.

W.—That looks reasonable enough; but what do you suppose is the aggregate value of the improved farms of the Dominion?

V.—It cannot fall short of six hundred millions

of dollars ; and if statistics are reliable, a good deal more.

W.—How much currency would be required ?

V.—That is a foolish question. Who can tell the amount that is wanted ? Doubtless, sufficient would be issued to transact business mainly upon cash terms. A style of business would then exist very different from the present usage.

W.—There would be little need of credit.

V.—Nor of book-keepers neither.

W.—I am sorry for that, as many a decent fellow is eking out a bare living at this profession. But then he will be employed at something worthy of his talents, and for better pay, I presume, under the new regime.

V.—Certainly. The new economy will increase the ranks of the producing classes wonderfully. As a natural consequence, one of the first acts of the legislature would be to rescind all laws for the collection of debts. Dealers would then sell for cash, or run the risk of losing their pay.

W.—I have myself often thought what a mean use the legislature makes of a citizen when it forces him to harass a poor fellow-citizen for a debt, and one probably pawned upon him by a not over-scrupulous dealer.

V.—It is outrageous, I confess. Such a circumstance could never occur in Bensalem. Has the creditor not the choice to keep his goods or give them away ? And if he prefers the latter, who should complain ?

W.—But what would the lawyers say to this change ?

V.—Were it not that the producing classes greatly outnumber this learned profession, such a monetary law could never be placed upon the Statute Book. But I cannot convince myself neither, that a profession, which rarely admits a fool, would be the last to acquiesce in a change so beneficial.

W.—Will it not appear a manifest injustice to give such power to the farmer?

V.—You mean the owner of the property, I presume? I fail to perceive the injustice of granting such a power to the only class who can pay for it. What I have been objecting to so strongly throughout the conversation is the legislature giving such power *to a class that cannot pay for it*. You perceive the new economy is an equitable system: the goods go to the man who pays for them.

W.—Would the mortgaging of farms not lead to loss in many instances?

V.—No more than at present; not so much, in fact, after the system and its working were fully understood. Farms are now sunk by exorbitant interest, which could not occur under a just system; as money would only cost one per cent. to the issuer. It is true such a law would not prevent proprietors making an unwise use of money, which they may do under any circumstances. But the right of issue cannot be abused so long as both the giver and receiver of money assume an equal responsibility.

W.—Would the issue not be liable to inflation?

V.—You ask a question that should have a satisfactory reply. Think of the causes of inflation: 1st. Issuing, regardless of the means of redemption.

2d. When the issuer and receiver don't assume an equal responsibility. 3d. When there is no regulating check upon issues. In the case of the Security Bank of Issue, every sub-mortgage is a perfect security; and there is also the reserve of gold to keep it at par with international money. Again, the issuer parts with an equal value to that which he receives; if he gets a horse worth a hundred dollars, he gives a mortgage on his land for it. It is very different with any other system extant. An ordinary banker gives his promise for the horse. But as it is so much easier to make promises than keep them, so much the greater is that currency liable to inflation. There cannot be a more wholesome check to over-issues than this balancing of responsibilities. No one gets into his possession the property of others without giving for it a suitable equivalent. Hence the impossibility to inflation of the issues of the Security Bank.

W.—Are you certain it would reduce the rate of interest?

V.—The competition of interests would reduce the rate to a fair average, and what more is wanted? The mission of the new economy is to effect a balancing of responsibilities and interests. Hence every value is allotted its just weight in the scale of industry, and the lowest average is thus obtained.

W.—Would a reduction of the rate not limit the usefulness of capital? And did not the ancient philosophers fail to improve society by similar experiments?

V.—A reduction of the rate, as we have seen,

leaves capital intact ; but only transfers the profits from the usurer to the workmen. The annihilation of money, on the contrary, would plunge society again into barbarism. These excellent old worthies probably did not know that money is powerful for good as well as evil, and only requires to be regulated. I repeat, a reduction of the rate dispenses with the vicious properties of money ; but retains in it all that is really useful. The economy of a legitimate and permanent reduction of the rate of interest will be justified by the most decisive step forward that civilization has ever made. Briefly, the farmer would have all the means he could use to advantage in thoroughly draining and tilling of the soil. As a consequence, production would be increased immensely. Cheap products mean cheap living ; then follow cheap manufactures. The mechanic and manufacturer having less interest to pay, would have larger profits to divide. The home markets would first be supplied, then foreign goods kept out ; and the sum-total of industry immensely multiplied.

W.—But would cheapened manufactures not leave the laborer less for his work ?

V.—On the contrary. If the nominal price of labor declined, yet a day's labor would produce more of the necessities of life than it now does ; and that is the main point. The increase of machinery would give relief from drudging toil, and afford more time for higher pursuits. Imports would become beautifully less, and the balance of trade speedily reversed. The national debt, now in foreign hands, would first

be imported, then cancelled. Again, the security system would destroy the centralizing influence of gold, which now builds over-populous cities, harboring vice, pestilence, poverty, insanity and famine in their rampant forms. In nothing does the new economy appear to greater advantage than in transferring capital from the centres of population to the broad country, and that direction too does population take, as it invariably follows capital. The distribution of capital, in fact, means the distribution of population over a healthful and productive industrial area.

W.—Am I to infer from your reasoning that security will deprive gold of much of its present value ?

V.—Certainly. It will ultimately be demonetized, as a necessary consequence. I may here remark that a resort to gold as a reserve of exchange, is not because it is regarded as money—far from it ; but simply because it now cancels debts between nations ; and the new economy must meet the exigency. Any new system that did not fully meet *things as they are*, would prove inadequate and could never be introduced. Hitherto, unfitness has been the great error of all suggestions for improvement, and failure has been the consequence. You must keep a reserve of gold, therefore, to humour your worst industrial friends.

W.—But in regard to the introduction of the security system, will it not be necessary to first get rid of the styles of money now current ?

V.—Not at all. Progress is not made in that

manner. I hold it is not the province of legislature to disfranchise, so much as it is to grant rights that have hitherto been ignored. How should railroads ever have been introduced, had it been necessary first to shut up other highways? The right of existence was granted, and it is seen with what result—the public choose to travel by rail. In like manner, the Security Bank of Issue is entitled to existence, and let it take its chances. If other systems have the stamina to exist besides, why object? Is there too much money? But there are already a great many banking systems at work—all admittedly defective. Then why object trying a new plan—one in whose favor so much can be said? The claim I think is valid; and, besides, you have the example of Bensalem to boot.

W.—But it will be said Land Banks have proved a failure.

V.—Have not all banks proved failures at times? You may object the French assignats fell to a thirtieth of their original value. But it must be remembered that the assignats were a lien upon confiscated church property, which proved an unsatisfactory security. As to the other instance I can call to mind—the Pennsylvania Land Bank—it paid off all its liabilities. But you must remember a difference exists between the Land Bank and the Security Bank of Issue.

W.—The first suggestion of issuing money upon land, I believe, is credited to that noble minded and most intellectual of men, Bishop Berkeley. He was sensible of the gross injustice perpetrated in his day,

over a century ago, upon industry, by the capitalist; and resolved on making the experiment in the New World of a Land Bank. But although he visited America, it does not appear he made a serious attempt to carry out his purpose. His opinions on the subject were rudimentary, and of little value to any one making the attempt at this period. But it is encouraging to learn that similar views of economy were held by one whose reputation as a thinker is world-wide. It is anything but discouraging to the promoters of the new economy to refresh the memory with the circumstances which called into existence the Banks of England and France. The reckless South Sea scheme was a twin sister of those institutions, and rivalled the Bank of England as a candidate for public favor. And not until the latter institution was made the pet of the government, was it saved the disgrace which befell its adversary. When Law's Bank of France first suspended, it possessed more gold in proportion to liabilities than is required now-a-days to do a successful banking business—evincing the virtue of management.

CLOSING ADDRESS.

Altabin, upon taking leave, expressed himself to the following effect: The chrysalis stage of civilization, which justly characterizes the outside world, has long ago eventuated in a higher development in my native land. The annihilation of interest furnished the people with a *new motive* in life; so that such a thing as an intelligent being spending his

whole life-time in money-grubbing is unknown. You could not bribe a citizen of Bensalem, because his material interests are provided for as fully as justice admits of; that is to say, commerce is based upon justice, not upon theft and knavery. No legal hindrance, therefore, prevents the purchaser getting full value for labor or money. The question, Why does money purchase so much? does not appear to have ever agitated the minds of your moralists; though late events leave no doubt of the fact that anything, however sacred or valuable, may be commanded by money. If the minister of the Gospel supposes the Church free from the contamination, he has only to inquire, Who amongst the wealthy members of his flock, that are hungering and thirsting after righteousness, would be ready to obey the injunction, "If ye would be perfect, go and sell all thou hast, and follow me." It would be a trial too severe to many; they would rather the question had not been mooted, and would much prefer *not to be perfect*. The cancer of avarice eats out every noble quality of mind and heart in a community when the purchasing power of the money principal is multiplied by an exorbitant interest. The preacher may bring to bear all the arts of moral suasion and expostulation, and the judge may decide his cases; but the terrors of law and Gospel combined, fail to discredit money. It is too true what the poet sang:

The horseman serves the horse,
The neatherd serves the neat,
The merchant serves his purse,
The eater serves his meat!

*'Tis the day of the chattel—
Web to weave, and corn to grind;
Things are in the saddle,
And drive mankind.*

It is truly said that man is the product of his age, and is not so much influenced by argument or moral suasion as by conditions. What an individual returns to society is trifling compared with the accumulated advantages conferred upon him by civilization. A prominent feature, therefore, in the conditions supplied by the economy of Bensalem, is the entire lack of towns and cities in my country. Cities, as has been observed, are a result of the centralizing power of money, which is got rid of by a permanent reduction of the rate of interest. Yours is the money of commerce; ours that of production and manufacture, and on that account it contributes more powerfully to the increase of national wealth. Cities liable to pestilential diseases, physical suffering, moral degradation—the blots and canker spots of civilization; where the poor and wretched live in cellars till they become decrepid, blind and idiotic; these seething centres of life crowded by the unproductive professions—liable to famine, fire, and to an increased mortality on every change of atmospheric temperature—present a spectacle with which our citizens, I am happy to inform you, are but little acquainted. Our population occupy a broad area. Our factories, like our fields, are spread over the face of the country, where the sun shines, the bees hum, the flowers blossom, and birds sing for all; where health, enjoyment, physical beauty and moral

dignity blend. Gradually the severe and lengthened hours of toil have been limited, while the purchasing power of labor has been increased; and time is afforded for agreeable relaxation, and also for studies of an intellectual and elevating character.

When the Security Bank was first established, it was thought advisable to make the sub-mortgage exchangeable—a term preferred to payable—at thirty days' sight, in gold, with the understanding that the law would only be taken advantage of when large sums were presented. This worked well. All ordinary demands were exchanged at sight, saving the sub-mortgage a decline from its par value. This precaution was found useful, for at the time of its introduction, there were in circulation two other styles of money; against the prestige of which, it had to make its way. As the existing systems gradually succumbed, less and less gold was needed to meet demands. Any large amount was met by a draft at thirty days, on England or Germany. This afforded time to negotiate for gold in an emergency.

A large foreign debt was speedily imported and held by the citizens; and finally cancelled, as industry became prosperous. I need not inform you that, to use a vulgar expression, "the boot has been on the other foot" these many long years. It is the custom of our merchants to get whatever they please for their exports, or the balance of trade; gold is not wanted now except for plate, spoons, etc., so they generally prefer commodities, such as teas, silks, hides; and it is no brag to say our merchants

and manufacturers now defy the competition of the world.

Before bidding adieu, let me remark in regard to the libraries of Bensalem. They are filled with the ablest works in every language; but the greater part, I confess, are treated more as a matter of curiosity than use; for our people pay little attention to anything from human pen, that is not severely scientific in its character. Hence, written history, as the world has it, shrinks into very small compass indeed in the estimation of our people; and only that part of it is valued that can be applied to present purposes. The great panorama of Nature is ever present to our consciousness. "Nature is bound to us by ties so deep and tender, it is so high above us, stirs us with influences so mysterious, speaks to us in words so moving, sympathizes with us so truly, chides us so gently, so fervently inspires or sternly warns, holds out to us forever so bright a pattern," that grown persons have no time to waste on fiction. We indulge the children in that department, however, for the development of imaginative faculty; hence in it is found works of the best writers of fiction in your language, such as, "Robinson Crusoe," "Smith's Large Paper Wheel," "Paterson on *Invisible Capital*," "Don Quixote," "Mill's Chapters on Paper Money," "Chevalier on Gold," "McCulloch's Lucubrations on Political Economy," "The Tale of a Tub," etc.

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